

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS ABU DHABI 002113

SIPDIS

SENSITIVE

MANAMA FOR OFAC ATTACHE
TREASURY FOR WILLIAM LANGFORD

E.O. 12958: N/A

TAGS: [PTER](#) [KTFN](#) [EFIN](#) [TC](#) [UAE](#)

SUBJECT: UAE MONEY EXCHANGES CONCERNED ABOUT ACCESS TO U.S.
MARKET DUE TO PATRIOT ACT REQUIREMENTS

1. (U) Summary. The UAE's 110 licensed money exchange houses have formed a Steering Committee to ensure that the UAE's regulated exchange houses can continue to do business with banks and financial institutions overseas. The steering committee will work with the UAE Central Bank and financial institutions in other countries in order to address some international banks' concerns that exchange houses are not regulated as stringently as other financial institutions. End Summary.

2. (U) Khaleej Times, an English language daily, reported May 10th that the UAE's money service businesses (MSB) formed an 18-member steering committee -- named the Association of Exchange Companies in the UAE -- that will approach U.S. regulators as a unified body to express their concerns about problems they face due to the USA Patriot Act. Ahmed Al Qamzi, Head of the International Division at the UAE Central Bank, told econoff May 10th that the article is referring to some U.S. banks' refusals to open accounts with UAE money exchanges because they are worried about the risk of having accounts with SMBs. He said that some U.S. financial institutions believe SMB's are not regulated as stringently as banks. According to the news article, the steering committee may hire a Washington Law firm to represent the SMB's and to explain the UAE regulatory regime for money exchange houses to the Department of Treasury's Financial Enforcement Network (FINCEN).

3. (U) Al Qamzi said the SMBs approached Central Bank Governor Sultan Nasser Al Suwaidi about their concerns, and the Governor supported their idea of forming a steering committee in order for them to pool their resources and share the costs (some UAE exchange houses are very small and do not have much capital). This steering committee will reach out to a number of countries and multilateral institutions - not just the United States. According to Al Qamzi and the news article, MSBs are also facing challenges in other countries, due to the lack of uniform rules, and every country having their own reporting requirements and "Know Your Customer" regulations. The steering committee hopes to establish compliance best practices and communicate the industry's proposals to international banking regulators.

4. (SBU) Al Qamzi also said that the Central Bank Governor is considering establishing a program whereby an independent, external auditor (such as Ernst and Young) will issue a standard certificate to U.S. financial institutions certifying that a given exchange company is licensed in the UAE and complying with the UAE's anti-money laundering and terror finance requirements. Al Qamzi said that such a program would be instituted in order to satisfy requirements under the USA Patriot Act and still allow UAE businesses to operate in the United States. He also said that it is an effort to close loopholes and keep money exchangers working through the formal financial system. UAE money exchangers have told the Central Bank that if their accounts are closed, their only other alternative is to work through unregistered operators in the U.S., and they do not want to do this.

5. (U) During the Central Bank's April 2-3 International Hawala Conference, M.S. Shamim Rafique, a representative of the steering committee, described the challenges the UAE MSB's face. "Some banks are hesitant to join hands with exchange companies in promoting formal money transfer channels and are beginning to deprive regulated exchange companies of their legitimate business needs...Indiscriminate risk classification does not distinguish between 'highly regulated, liberally regulated, and unregulated' and it paints all exchange companies with the same brush." SISON